



EXHIBIT 3
DATE 1-21-09
HB HB 2

January 20, 2009

TO: Health and Human Services Joint Appropriations Subcommittee

FROM: Lois Steinbeck

RE: Preliminary Analysis of House Economic Stimulus Proposal – Medicaid Impacts

The portion of the U.S. House of Representatives American Recovery and Reinvestment Act of 2009 considered by the House Ways and Means Committee proposes several changes to the Medicaid program. Briefly those changes are:

- Applies for most funding provisions begins October 1, 2008 and ends December 31, 2010
- Federal Medicaid match rate appears to be raised by “4.9 percent points” starting October 1, 2008
 - Possibility that the language might mean that the federal rate multiplied by 4.9 percent would be the increase, rather than an additional 4.9 percent added to the federal rate
 - Stimulus increase applied to the highest federal match rate based on the usual formula for the for the range of federal years covered
 - The Montana FFY 2008 federal rate is higher than the rate in either FFY 2009 or FFY 2010 (about 68 percent)
 - Does not apply to federal match rates for CHIP, foster care, child support enforcement, child care services, or disproportionate share (DSH) payments to hospitals that provide a high percentage of care to Medicare, Medicaid, and low income persons
- Additional “high unemployment adjustment” made to Medicaid match rate
 - Begins January 1, 2009; ends July 1, 2010
 - State may receive additional federal Medicaid match increase if:
 - Montana unemployment rate exceeds the unemployment rate for any quarter beginning January 1, 2006 by more than 1.5 percent
 - Adjustment is for one quarter, but adjustment for following quarter may not be less
 - Determined from rate of change in unemployment by quarter using data published by the U.S. Bureau of Labor Statistics
 - Change must exceed 1.5 percent to trigger an adjustment; adjustments rise incrementally from 1.5 to 3.5 percent change in unemployment
 - Change calculated from state Medicaid match rate
- Conditions – “strings” attached
 - States receive federal funds if “eligibility standards, methodologies, or procedures” are no more restrictive in either state plan or waivers than those in place as of July 1, 2008, with some exceptions
 - State that has restricted eligibility can be eligible for funds in the quarter following changes to reinstate standards in effect June 1, 2008
 - Funds cannot be used to directly or indirectly increase reserve or rainy day fund
 - States must report on average monthly enrollment and participation rates for adult and children and number of children whose medical assistance is continued under another eligibility category or who move to CHIP
- Implications for continuing intergovernmental transfers unclear
- Moratorium on implementation of certain Medicaid regulations

I-149 Balance Sheet (Fund 02772)			
State Fiscal Year	FY 2009	FY 2010	FY 2011
Beginning Fund Balance	\$ 48,071,493	\$ 39,779,557	\$ 33,709,253
Tax Estimate	\$ 40,430,560	\$ 40,830,420	\$ 41,257,240
BOI Interest Earnings	\$ 1,442,145	\$ 1,193,387	\$ 1,011,278
Program Expenditures			
CHIP			
CHIP Program	\$ 1,582,085	\$ 907,760	\$ 907,760
2011 Biennium DP Requests			
CHIP SSR Fund Adjustment (PL)		\$ 925,614	\$ 925,614
CHIP Caseload (PL)		\$ 728,298	\$ 591,318
CHIP Provider Rate Increase (NP)		\$ -	\$ -
CHIP Expenditures Subtotal	\$ 1,582,085	\$ 2,561,672	\$ 2,424,692
Big Sky Rx			
Prescription Drug Program (Bien)			
Prescription Drug - SB 324 (RST)			
Big Sky Rx Premium Assist (RST/Bien)	\$ 8,172,901	\$ 1,551,641	\$ 1,551,641
Big Sky Rx	\$ 1,007,108	\$ 982,883	\$ 982,883
HCSD Big Sky Rx	\$ 19,011	\$ 18,992	\$ 18,992
2011 Biennium DP Requests			
Big Sky Rx Base Adjustment (PL)	\$ -	\$ 3,200,000	\$ 3,200,000
Pharmassist Program (PL)	\$ -	\$ 234,980	\$ 234,980
Big Sky Rx Expenditures Subtotal	\$ 9,199,020	\$ 5,988,496	\$ 5,988,496
Insure MT			
Insure MT Expenditures Subtotal	\$ 10,938,043	\$ 10,936,366	\$ 10,936,366
Medicaid			
2011 Biennium DP Requests			
Increasing 4% Vacancy Savings to 7%		\$ (10,916)	\$ (10,971)
Fuel Inflation Reduction		\$ (1)	\$ (1)
Annualization of 2007 Session Rate Increases (PL)		\$ 467,761	\$ 467,761
Medicaid Organ Transplants		\$ 1,000,000	\$ 1,000,000
Annualize Nursing Home Provider Increase (PL)		\$ 25,251	\$ 25,251
Annualize Community Based Waiver Increase (PL)		\$ (21,063)	\$ (21,063)
Annualize Home Based Provider Increase (PL)		\$ 18,495	\$ 18,495
Annualize Waiver and Fund Switch (PL)		\$ 410,728	\$ 410,728
Annualize Home & Community Based Services Waiver (PL)		\$ 1,471,493	\$ 1,492,314
MHSP Pharmacy Benefit Biennial (I149) (PL)		\$ 665,158	\$ 665,158
Health Care for Health Care Workers		\$ 750,000	\$ 750,000
Medicaid Expenditures Subtotal	\$ 28,445,493	\$ 28,607,576	\$ 28,628,342
Expenditures Total	\$ 50,164,641	\$ 48,094,110	\$ 47,977,896
Ending Fund Balance	\$ 39,779,557	\$ 33,709,253	\$ 27,999,875
Structural Balance	\$ (9,734,081)	\$ (7,263,690)	\$ (6,720,656)